



**Public Service  
of New Hampshire**

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The Northeast Utilities System

**Gary A. Long**  
President and Chief Operating Officer

September 6, 2002

MaryAnn Manoogian, Director  
State of New Hampshire  
Governor's Office of Energy & Community Services  
57 Regional Drive, Suite 3  
Concord, New Hampshire 03301-8519

Re: New Hampshire State Energy Plan

Dear Ms. Manoogian;

Public Service Company of New Hampshire appreciates the opportunity to comment on the development of the State Energy Plan (NH-SEP) under the direction of your office. PSNH representatives have participated in many of the NH-SEP meetings held to discuss energy issues in New Hampshire and policy options for the future.

First, I would like to commend the GOECS for conducting the many meetings across the State to discuss the NH-SEP. Electric restructuring for PSNH and its customers has been implemented in accordance with State law and our electric restructuring settlement. With electric restructuring, PSNH no longer has the responsibility, or ability, to develop integrated least cost resource plans as was required before electric restructuring. Consequently, PSNH believes that it is important that an agency, such as GOECS, provide a forum for New Hampshire utilities, electric consumers, government officials and others to freely discuss policy and technical matters of critical importance to future energy services in New Hampshire, and to do so in a manner that complements our normal regulatory and legislative processes.

In general, the modeling work performed by Sylvatica Systematic Solutions that has been publicly presented has been useful in framing high level policy questions. PSNH understands that this is "work in progress" and that dialogue on energy policy is a dynamic and continuing process. While we look forward to continuing dialogue, PSNH offers the following comments based on what we have seen to date:

- The modeling work provides insight on the overall impact of certain policy changes or changes in modeling assumptions but does not measure the impact of various policies on specific customers or companies. Ultimately, for PSNH and its customers the question is

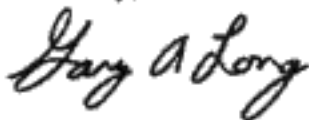
"How does this impact our customers and our company?" Before any policy changes are made, we need to address that question. PSNH stands ready to discuss how changes in policy will impact PSNH and its customers.

- From an economic, electric transmission, and power market viewpoint, New Hampshire is very much tied to New England and the Northeast region. The Federal Energy Regulatory Commission is actively pursuing transmission and energy market policies and rules that it believes advances the development of competitive electric energy markets throughout the United States, and the Northeast. The development of a state energy plan must take into consideration the current and emerging federal policies. PSNH believes that further education and discussion is required to integrate a state energy plan with what develops at the federal level.
- In 2001, new State law was enacted which prohibits the divestiture of PSNH's fossil and hydroelectric generation plants for at least 33 months following the implementation of competition in PSNH's service area. PSNH opened its system for competition on May 1, 2001. PSNH has found that this state policy has produced substantial savings for PSNH's customers. In the future as the 33 month period expires, this policy will require further discussion.
- As the modeling work presented to date shows, New Hampshire's economy benefits greatly from the diverse fuel mix of its in state major electric generating resources. Policies that prematurely eliminate this generation from the state's infrastructure would have significant and lasting negative impacts.
- Valuable but painful lessons have been learned about promoting renewable energy supplies, such as wood fired electric generation, through excessive cost subsidies in retail electric rates. As stated above, a diverse fuel mix is of significant benefit to New Hampshire. If alternative and/or renewable supplies are to be promoted to increase our diversity, and they require a subsidy to be economically viable, careful consideration should be given to the size of the subsidy and from whom the subsidy is collected. Such subsidies, if required, should be equally shared by all.

PSNH will offer further comments once the initial NH-SEP is drafted and available for comment. Overall, PSNH believes that the development of a draft NH-SEP is a good step in understanding energy issues important to the State but that continuing dialogue and cooperation is needed to address changes in energy markets and changes in State and Federal policies and laws.

Again, PSNH appreciates the opportunity to comment on the development of a State Energy Plan.

Sincerely,



Gary A. Long

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